The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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A Successful Summit . . .

A "summit" conference of the leaders of the principal industrial nations of the Free World has become an annual event in recent years. Over the Memorial Day weekend, the heads of government of the United States, Canada, France, West Germany, Italy, Japan and the United Kingdom will meet in Williamsburg, Virginia to come to grips with the vital economic issues of the day. Although these conferences usually arouse great expectations, they are often anticlimactic. This year as well, the results which will be announced by the participants in a closing statement may again generate frustrated expectations, because the range and complexity of the world's current economic problems appear to be even greater than usual. Many of them relate to the fundamental concepts upon which the Free World's economic and financial systems are based. Further, since several negative legacies of the long and deep global recession still linger in most countries—developed and developing alike—these deliberations will have particularly widespread significance.

Although an official agenda of the forthcoming summit has not been made available, a wide variety of discussion topics has been proposed. These range from such general issues as fostering a sustained and broad-based recovery of the global economy to no less important, but more specific problems such as East-West trade. Other items crowd the potential agenda as well: the revival of world trade, which has stagnated since 1981, the threat of protectionism, low commodity prices and the sizable overhang of developing country debt, high interest rates, volatile foreign exchange rates, energy prices and global unemployment.

But while many of these issues have been discussed before, there is a difference this time around. It is a recognition among conference participants of both the predominant role the United States must play in fostering a resumption of global economic growth, as well as the role governments in general must adopt in sustaining growth once it begins. For the unfettered functioning of free markets alone has not solved all of today's economic difficulties and, indeed, during periods of extreme interest and exchange rate volatility, may well have compounded them. Thus, the industrial countries will probably continue to distance themselves from their emphasis on the "magic of the marketplace."

Two approaches appear to be possible. By electing to tackle broad, but fundamental, topics such as encouraging and supporting a return to sustained economic growth, the leaders of the seven leading industrial nations could strike at the basic economic issues of the day. If they are able to develop a concerted policy, they would at the same time solve most of such subsidiary problems as lofty levels of unemployment and stagnant world trade. The difficulty is that the more basic the problem, the more difficult it is to find a universally acceptable solution.

The alternative approach would be to select some of the narrower, more specific problems where solutions may be more readily available, but their global impact is at the same time more limited. Certainly, the participants at the summit will want to show some evidence of success to their constituents back home. Some of these leaders face the imminent prospects of an election; others, newly elected, are attending their first summit and yet others face deep political uncertainties at home. All have a vested interest in appearing both forceful and successful on the world stage.

. . . Faces Formidable Obstacles . . .

However, the major obstacle to clear and unequivocal agreements from summit meetings in the past has been, and continues to be, the clash of nationalistic goals, traditions and even prejudices against the reality of an increasingly integrated and interdependent world economic system. Each nation tends to view the world through the same end of the telescope—that is, giving priority of position to what it perceives to be its own immediate benefits. At the same time, the integration of world commodity and financial markets makes such positions increasingly untenable.

For example, even within such a narrow economic

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cooperative as the European Economic Community (EEC), the attempt to establish a viable common agricultural policy has created substantial stresses and strains. Yet the EEC is composed of a group of nations which share a more or less common cultural heritage. What is more, an even more homogeneous group, the nations comprising the European Monetary System (EMS), has been unable to stabilize its own internal exchange rate relationships. There have been seven major readjustments of exchange rates in the four-year history of the EMS, four of which have occurred in the last 18 months. It is this fundamental problem of the inability to make any aspect of sovereign power, especially the conduct of domestic monetary and fiscal policies, subservient to the wider needs of the international community as a whole, that lies at the heart of the difficulty in achieving effective results from summit meetings.

. . . But It Can Be Reached

If so, how might this difficulty be surmounted at the forthcoming Williamsburg Summit? Careful selection of the agenda topics is a necessary first step. Discovering commonly accepted communities of interest where each participant can perceive clearly the concrete benefits to his country from international cooperation is also a necessary ingredient. Success in these smaller steps not only introduces an environment of cooperation, but also forms the basis for extension into other economic areas at future summit meetings.

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 4/27/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	147.143	- .612	+ 9.715
Loans to Depository Inst.	1.171	+ .506	- .652
Float	1.659	- .972	- .337
Total Reserve Bank Credit	159.537	- .945	+ 8.728
Treasury Deposits with Federal Reserve Banks	4.165	+ .898	- .623
Currency Outside Banks	138.873	- 1.433	+11.233
Member Bank Reserves:			
Required	38.619	- .554	- 1.492
Excess (Deficiency)	.363	+ .124	+ .078
Total Reserves Held	38.982	- .430	- 1.414
Net Free Reserves	.234	+ .290	- .900
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	110.748	- .841	+19.973

Monetary Aggregates †		% Change Since Three Months Ago*	% Change Since Year Ago
M1	495.4	+ 12.7‡	+ 10.1‡
M2 (March '83)	2,066.0	+ 21.7	+ 13.0
M3 (March '83)	2,443.0	+ 11.0	+ 10.5
Domestic Nonfinancial Debt (4th Q'82)	4,745.6	+ 10.2	+ 9.2

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 5/6/83	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	7.55%	7.55%	7.85%
* Federal Agencies	8.35	8.15	8.75
* Project Notes—Taxfree (46% Taxable Equivalent)	8.52	8.61	9.07
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	8.38	8.38	8.85

‡Finance Company Paper—Prime

5- 14 days	8.25%
15- 29 days	8.25
30- 59 days	8.25
60- 89 days	8.13
90-179 days	8.13
180-239 days	8.13
240-270 days	8.13

‡* Bankers' Acceptances

Jun.	8.20%
Jul.	8.15
Aug.	8.10
Sep.	8.10
Oct.	8.05
Nov.	8.00

‡Industrial Paper—Prime

30- 89 days	8.25%
90-120 days	8.25

†Federal Funds Effective Rate 8.35%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'83	$ 3,177	$ 3,108	$ 2,996
Gross National Product (1972 Dollars)*	1st Q'83	$ 1,489	$ 1,477	$ 1,471
Percent Change, Annual Rate	1st Q'83	3.1	- 1.1	- 5.1
Change in Consumer Prices (new series)*	Mar '83	1.2%	- 2.4%	0.0%
Change in Producer Prices*	Mar '83	- 1.2%	1.2%	- 3.6%
Civilian Employment (Thousands of Persons)†	Apr '83n	99,458	99,103	99,484
Unemployment as % of Civilian Labor Force†	Apr '83n	10.2%	10.3%	9.3%
Personal Income*	Mar '83	$ 2,659	$ 2,644	$ 2,519
Leading Indicators Composite Index (1967=100)†	Mar '83	149.8	147.6	134.7
Industrial Production Index (1967=100) †	Mar '83	139.1	137.6	141.7
Net Change in Consumer Installment Credit†	Feb '83	$ 1.74	$ 2.93	$ 0.17
U.S. Merchandise Trade Balance †	Mar '83n	-$ 3.63	-$ 3.58	-$ 2.43
Plant and Equipment Expenditures*	2nd Q'83	$302.20(a)	$302.25(a)	$323.22
Private Housing Starts (Thousands of Units)*	Mar '83	1,611	1,775	920
New Construction Expenditures*	Mar '83n	$ 245.4	$ 249.3	$ 224.6
Total Business Inventories †	Feb '83	$ 508.1	$ 507.6	$ 522.0
Total Business Sales †	Feb '83	$ 339.1	$ 343.7	$ 343.1

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

Certainly a prime candidate for discussions on this basis at the summit would be in fostering the regeneration of world trade. Particular reference is made to the North-South flows, which have been the fastest growing segment of world trade in recent years—but which may be hampered by the inability of several advanced developing countries to secure adequate levels of trade finance. And a slightly more accommodative position by the U.S. on East-West trade could be matched by a commitment to ease the threat of protectionism by some of our trading partners.

An agreement to include international perspectives and the recognition of the important international role of the dollar as factors in the formulation of our domestic monetary policy could be matched by policies in other countries aimed at creating more stable financial and foreign exchange markets. Many of our trading partners view the current strength of the dollar as an important deterrent to their own economic growth. Indeed, at its present levels, the strong dollar has few benefits to anyone. Most world trade is denominated in dollars, hence, imports are more expensive in most foreign domestic currency terms. Further, the strong dollar encourages capital outflows to the U.S. From our point of view, a strong dollar puts a heavy burden on our export competitiveness. A resolution of this problem would benefit most countries.

Another potentially fruitful item for the Williams-

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (4/20/83)	101,573	– 2,528	–30,366
New York City (4/20/83)	25,913	– 1,270	-- 7,714
Commercial Paper (4/20/83)	167,751	+ 799	– 4,104*

*Series redefined: Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

	Latest Week	Change Since Week Ago	Change Since Year Ago
Weekly Reporting Large Commercial Banks			
Nationwide (4/20/83)	216,050	+ 474	+10,314
New York City (4/20/83)	58,814	+ 75	+ 1,346

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/20/83)	504,699	+ 1,265	+22,155
New York City (4/20/83)	116,873	+ 252	+ 5,893

Financial Markets

	Friday 5/6/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	8.30%	–0–	– 4.28
180-Day Bills†	8.50	+ .02	– 3.53
Longest Bills†	8.67	+ .04	– 4.53
Recent Issues:			
9 1/2s 4/30/85	9.14	– .13	
10 1/4s 3/31/87	9.66	– .01	
10 1/8s 5/15/93 (When Issued)	10.18	NA	
10 3/8s 11/15/12	10.34	–0–	
Municipals:			
Bond Buyer–20 Bond Index* (5/5/83)	8.78%	– .04	– 3.26
Blue List Total ($ Million)	$1,473	+$ 9	+ $ 545
30-Day Visible Supply ($ Million)	$5,359	+$1,122	+ $3,081
Total	$6,832	+$1,131	+ $3,626
Corporates:			
Moody's Aa Composite (5/5/83)	11.81%	– .17	– 3.05
30-Day Visible Supply ($ Million)	$1,175	+$ 400	– $ 435
Stocks:			
Dow-Jones Averages:			
Industrials	1,232.59	+ 6.39	+ 363.39
Transportation	552.10	+ 27.16	+ 199.20
Utilities	129.11	+ .70	+ 12.16
65 Stocks	483.03	+ 9.08	+ 140.50
Standard and Poor's 500 Stocks	166.10	+ 1.68	+ 46.63
N.Y.S.E. Composite Index	95.47	+ 1.20	+ 26.71
N.Y.S.E. Avg. Daily Vol. for Week (000's)	103,072	+ 1,834	+ 43,234

* 46% Taxable equivalent 16.26%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 5/6/83	Week Ago
Overnight	8.69%	8.88%
1 month	8.88	8.81
3 month	8.88	8.88
6 month	8.81	9.00
1 year	9.06	9.19
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.30%	11.45%
Long Term (7 to 15 yrs.)	11.40	11.55

FOREIGN EXCHANGE SPOT RATES

New York Opening (5/6/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02047	48.86
Canada	.8157	1.2259
Denmark	.1148	8.7145
France	.1356	7.3725
Germany	.4085	2.4477
Italy	.0006865	1456.75
Japan	.004238	235.95
Mexico	.006645	150.50
Netherlands	.3636	2.7500
Switzerland	.4863	2.0562
U.K.	1.5765	.6343

burg agenda is the role of the International Monetary Fund (IMF) and similar institutions in the global financial system. This topic has the dual benefit of being currently important in relation to the problem of developing country debt, but it also has long-term significance since the IMF is almost certain to play a central role in any future revision of the international monetary system. In addition, it represents a tacit recognition of the increasing internationalization of the world economic system. The IMF's present pivotal role in resolving the problems related to financial and trade flows between the developed and developing countries adds immediacy to the question of its future responsibilities.

At this sensitive juncture in the world economy, the conclusion of the longest and deepest global recession in the postwar era, it is important that the Williamsburg conference appear harmonious and successful and that the decisions are substantive. All nations—developed and developing alike—have a vested interest in the results. It is clear that the long-awaited economic upturn is beginning, initially in the United States. This is an appropriate time to chart the economic course for the next several years and to introduce new global economic initiatives. H

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